

FINRA RULE 3110(E) DIGEST: HIRING PRACTICES AND FINRA BACKGROUND CHECK REQUIREMENTS

Introduction

FINRA Rule 3110(e) is a rule that defines for the broker-dealers how to hire employees and requires them to do background checks. The rule has specific requirements that member institutions must follow when reviewing an applicant’s background, work experience, and any past criminal or regulatory issues before hiring them.

FINRA Rule 3110(e): FINRA Background Checks Requirement

Under Rule 3110(e), firms must investigate an applicant’s reputation, qualifications, and experience as part of the background check process. Completion of the background check is required before a firm can submit the U4 Form, containing information about the applicant’s background, work experience, and any past criminal or regulatory issues.

FINRA Background Checks Sources

Key information sources for background checks include the following:

1.

CRD searches
2.

Credit reports
3.

Private background checks
4.

Reference letters
5.

Fingerprints
6.

Communication with previous employers

Verifying Background Check Findings

Key background check categories:

1.

Names and addresses
2.

Criminal records
3.

Bankruptcy records
4.

Civil litigation
5.

Judgments
6.

Liens

Conclusion: FINRA Rule 3110(e) Takeaways for Compliance

We outline 8 key practical takeaways for member firms to maintain compliance with FINRA Rule 3110(e):

1.

Create a hiring policy that complies with Rule 3110(e)
2.

Ensure compliance of personnel records with FINRA’s record retention requirements
3.

Enforce compliance with FINRA through a formal training program
4.

Promptly initiate investigations of registered individuals
5.

Document the reason for any information that cannot be verified
6.

Consider utilizing third-party background check providers
7.

Conduct due diligence on third-party providers
8.


Provide candidates with disclosures before screening
9.

Stay aware of potential late disclosure fees for amended filings
10.

Retain all required records and be prepared for audits

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COMPLIANCE AND OPERATIONS FOR TECHNOLOGY-BASED BDS IS LISTED IN
FINRA COMPLIANCE VENDOR DIRECTORY



Need help with support and information on hiring practices and background check requirements?
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